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Veritas Investment Research Corp and West Face Capital hit with \$50 million lawsuit from Catalyst/Callidus

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The long and bruising battles between the Catalyst Capital Group, which owns a majority stake in the publicly listed asset manager Callidus Capital Corp., and the private equity firm West Face Capital show no signs of abating.

A statement of claim filed by Catalyst/Callidus against **Veritas Investment Research Corp.** and West Face is now seeking \$50 million in damages, alleging “defamation, conspiracy and intentional interference with economic relations,” and another \$5 million for “punitive or aggravated damages.”

Over the past year the opposing parties had already been combatants over whether Brandon Moyse, a former employee at Callidus who moved to West Face, misused confidential information. That alleged

misuse was said to have occurred when West Face, along with a group of other investors, acquired shares of Wind Mobile last September.

At that time Catalyst, whose focus is on “distressed for control investing,” amended the statement of claim it had filed a few months earlier. That Moyse matter is working its way through the courts.

The two also battled over what Catalyst claims was “a short-selling strategy against Callidus without conducting in-depth research to support the risks associated with such a strategy.”

None of the claims have been proven in court and West Face did not respond to messages Tuesday seeking comment.

Reached Tuesday, Callidus said in a statement, “we won’t be discussing matters which are before the court except to say that the facts speak for themselves.” **Veritas** said Tuesday “the allegations in the lawsuit concerning **Veritas** are without merit. We pride ourselves on producing independent and carefully researched reports, which we will continue to do.”

The latest claim centres on a meeting that occurred last December between West Face and **Veritas**, a specialist equity research organization. At the meeting, the claim alleges West Face arranged “to share its report with **Veritas** for the purpose of inducing **Veritas** into publishing a second negative report on Callidus.”

The statement also alleges the “defendants entered into a conspiracy to defame Callidus and Catalyst and to interfere with Callidus’ economic relations by publishing false and defamatory statements about Callidus so as to induce a broad sell-off of Callidus shares.”

And rather than acting “separately and independently” the claim alleges, “the [two] defendants were acting jointly and in concert.”

The claim alleges that from last November to March 2015, “West Face distributed a report impugning Callidus and Catalyst to market participants.” In April, according to the claim, **Veritas** “published a report impugning Callidus and Catalyst to market participants.”

In its recent filed claim, Catalyst/Callidus lists what it calls 13 “false and defamatory statements,” made by West Face. In the same statement, Catalyst/Callidus details 12 “false and defamatory statements” made by **Veritas**.

In its claim, Catalyst/Callidus said through its “outside counsel” it tried this year to obtain a copy of the West Face report. Last April it requested that **Veritas** issue a “retraction” on its report, but **Veritas** refused.